



August 17, 2005

Mr. Howard Bernstein
RPS Program Manager
MA DOER
100 Cambridge St., Suite 1020
Boston MA 02114

Dear Mr. Bernstein:

GenPower agrees with DOER that certain aspects of the existing renewable energy credit (REC) program, as implemented before the NOI, need review, clarification and modification. We believe the intent of the enabling legislation is sound as is 225 CMR 14.00 as originally written. The following comments address both overall problems with the REC program as currently run, and specific topics raised in the NOI.

Problems with the current implementation

The problems with the REC program as it stands today are the actions taken by DOER after promulgation of 225 CMR 14.00, specifically the Retooling Guideline and the Hemphill Advisory Ruling.

Both of these caused serious uncertainty in the future value of RECs by allowing any existing biomass plant to make minor modifications, which one of the suppliers of the over-fire air systems estimated to us to be less than \$2 million including emission controls, and qualify as both “new” and “advanced”. Our review of the existing biomass plants in New England that could achieve both “new” and “advanced” classifications under the lax standards of Hemphill and the Retooling Guideline indicate approximately 300 MWs of old generation that could flood and devalue the REC marketplace. This great uncertainty in REC prices makes financing new renewable projects impossible.

On the one hand, the legislature and DOER recognize that creating new renewable projects requires the financial support of reasonably priced RECs. RECs were created to spur new development. On the other, DOER, through the Retooling Guideline and Hemphill, has loosened the eligibility requirements so that REC prices now are sufficient only to fund upgrades to existing plants but not to support financing of new plants. Funding existing plant upgrades is not necessary for Massachusetts RECs since both RI and CT have REC programs in place that accommodate those facilities.

While the Retooling Guideline and Hemphill caused major problems due to their substance, DOER’s evidenced willingness to continually change the “rules of the game” after promulgation of the regulations is itself a major hindrance to stable and sufficient REC pricing and new renewable generation.

To restore the value of RECs to support the original intent of the legislature, and restore faith on the part of developers, lenders and investors, DOER should return to the basic principles of the RPS legislation and its own regulation as initially written.

- “New Renewable Generation” is just that: it’s new. Retrofitting with new emission control technology is a viable business strategy for existing plants to take advantage of other States’ REC programs (e.g., CT).

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- “Advanced Biomass Conversion Technology” is not a synonym for low emissions. This is obvious in the language of the legislation. It also does not mean pile burn or stoker technology. The legislature made this clear to DOER in the March 6, 2002 letter from Chairmen of the Joint Committee on Energy, which said, “In particular, we refer to pile burn and stoker technologies, which have been in use for decades and *would not be considered advanced under any reasonable definition of the term.*”

DOER’s concern with varying RPS standards across States

The NOI references the different RPS standards in New England as a “...complicating factor” and that “...these differences complicate the planning process for the owners and operators of existing biomass plants, as well as the potential developers of new biomass plants, with regard to their technology investment choices.” In fact, the differing standards allow plant owners and developers greater flexibility in planning and allow them to pick the program that best matches their needs. Diversity in programs is a benefit, not a hindrance.

In addition to being a developer of new plants, GenPower has also been involved in evaluating older biomass facilities in New England. We understand the financial issues of those facilities. As evidenced by the Whitefield, New Hampshire plant, CT RECs support the retooling of older facilities and keep them in the generation pool. We recommend DOER allow programs in CT, RI and NY to assist existing facilities with emissions upgrades and that the Massachusetts program stays focused on providing financial support for new plants with advanced technology.

Definition of Advanced Biomass Power Conversion Technology

Changing this definition to one based on heat rate is impracticable and contrary to the intent of the legislation, particularly if it were to allow stoker technology which is explicitly excluded by the legislature through the March 6, 2002 letter referenced above.

A heat rate definition would be almost impossible to administer and may open the door for “gaming” the regulation. Simply changing to a dryer fuel (e.g., C&D wood versus forestry residue) can change a heat rate without any other changes in facilities or operations. This may allow an existing facility to meet the heat rate hurdle without any technology change whatsoever. Will DOER require some investment by existing plants in addition to meeting a heat rate standard and if so, how much (80%)? How will DOER verify that existing plants couldn’t have met the heat rate standard all along, and therefore be Vintage Units ineligible to have their base output counted for RECs?

As to the specific heat rate values in table 1., DOER needs to define more precisely what it means by “net” before we can comment precisely. If those values are truly net, including all auxiliary load located on the property, then we don’t believe the values for plants over 10 MW can be met.

Low Emission Criteria

GenPower believes table 2 represents achievable emission limits. Table 3 does not, either at this time or the foreseeable future.

Retrofitting with Eligible Biomass Technologies Waiver

For REC eligibility, retrofitting must be substantial (e.g., 80% of value) or must be with an “advanced” technology (similar to the upgrade taking place at PSNH’s Schiller Station) as currently specified, for the reasons discussed above.

Sincerely,

Ken Milne
Project Manager

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